

Director of Central Intelligence



National Intelligence Estimate

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## Guatemala: Prospects for the New Government

### Key Judgments

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## GUATEMALA: PROSPECTS FOR THE NEW GOVERNMENT

### KEY JUDGMENTS

The full text of this Estimate  
is being published separately  
with regular distribution.

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### SCOPE NOTE

The recent inauguration of President Vinicio Cerezo Arevalo in Guatemala has brought to power the first civilian leader of the country in almost two decades. The new President is faced with serious economic problems, a delicate political relationship with the armed forces, a persistent leftist insurgency, and continuing political violence. In the foreign policy area, Cerezo has given early indications that he will take an active role in regional affairs, as well as expand Guatemala's international ties in an effort to attract greater foreign aid. This Estimate will address the prospects for the new government over the next year or so, beginning with internal economic, political, and military problems and then examining how its foreign policies are likely to evolve. It will also discuss the implications to the United States of various alternative outlooks.

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## KEY JUDGMENTS

The inauguration of President Vinicio Cerezo and the installation of a new civilian government is a decisive step toward the US goal of a stable democratic system in Guatemala, but continued progress toward that goal is far from assured. Cerezo will need all the support he can marshal if he is to solve the serious economic and political problems he will face over the coming year. Although there is a reasonable chance that Cerezo will be able to manage effectively the problems he confronts, miscalculations—particularly on economic matters or relations with the military—could jeopardize the long-term prospects not only of his government, but also of the democratic process. [REDACTED]

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Guatemala is suffering its worst economic crisis in half a century, and the economy will be Cerezo's most pressing problem. The President will need to implement an effective domestic economic austerity program to attract increased foreign assistance and to halt the severe economic decline. Needed reforms will entail increased taxes and reduced public subsidies, probably resulting in considerable public opposition. We believe that there is a better-than-even chance that he will adopt an economic adjustment program, but there is considerable risk that, through excessive compromise, Cerezo will undercut the effectiveness of his austerity program, leading to further stagnation. Furthermore, there is some evidence Cerezo lacks confidence in the private sector; therefore, another less likely possibility is that he might pursue a more antibusiness economic policy of widespread price controls, substantial wage increases, and greater public spending. This would probably make it difficult for Cerezo to attract sufficient foreign economic support to prevent an accelerated economic decline. [REDACTED]

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The maintenance of positive relations with the military will be an important political priority for Cerezo. The armed forces—which strongly supported the return to civilian rule—will be relatively tolerant of the new administration but will be firmly opposed to any attempt to bring the military to account for past human rights violations.<sup>1</sup> Cerezo, for his part, is likely to take a careful approach to this issue, ruling out retribution against the armed forces as a whole for past abuses but supporting investigations by the Supreme Court into specific allegations of disappearances or homicide. Other issues, such as the conduct of the counterinsurgency and the military budget, will be potential sources of [REDACTED]

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friction, but we believe both civilian and military leaders will work to keep disagreements within manageable limits. As a consequence, we judge that there will be only a small chance of a coup over the coming year. [ ]

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The size and effectiveness of the radical leftist insurgency has been reduced substantially since 1982, and it does not now constitute a serious threat to the government. We do not expect a substantial resurgence in guerrilla activity in 1986, but the insurgents are likely to receive sufficient external support, particularly Cuban and Nicaraguan, to remain a viable military force. The Guatemalan military is capable of keeping the insurgency contained but will not be able significantly to increase pressure on the guerrillas without additional foreign military aid. The armed forces suffer important mobility, maintenance, and communications deficiencies, which continue to limit their effectiveness. Although Cerezo is likely to extend an amnesty offer to the guerrillas, a negotiated end to the guerrilla war in 1986 is unlikely. We see little enthusiasm among the insurgents, the military, or even with Cerezo himself for such talks. [ ]

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We believe Cerezo is unlikely to effect dramatic changes in Guatemalan foreign policy in his first year, but the direction of his efforts may cause some friction with the United States. He will seek, particularly in his rhetoric, to establish his independence from the United States, and his policy of active neutrality may put him at odds with the United States on various issues—particularly Nicaragua. Cerezo is not pro-Sandinista, but he is relatively optimistic about the extent to which diplomatic pressure can induce the Sandinistas toward moderation. Therefore, he will probably cultivate greater contacts with Managua, and publicly criticize US assistance to the anti-Sandinista armed resistance. Under Cerezo, Guatemala probably will take a more active role in the Contadora process, and Cerezo will strengthen relations with other Christian Democratic parties and governments in Central America—including that of Salvadoran President Duarte. [ ]

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We see little danger that Guatemala will be drawn into the Soviet-Cuban orbit over the coming year. Cerezo has raised the possibility of establishing relations with Cuba, although we do not believe that this is motivated by any sympathy for Cuba or that he regards this as an important priority. Instead, he is likely to make improved relations with Mexico a top priority and eventually move to resolve Guatemala's long-standing dispute with Belize. [ ]

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Beyond the development of democracy and foreign policy, US interests will be principally engaged in Guatemala on questions of aid

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and human rights. Cerezo will probably solicit US support in debt rescheduling and discussions with the IMF. Guatemala will also continue to make gradual progress on human rights, although we do not expect this issue to recede in importance and visibility. In addition, we judge that narcotics trafficking could become a more important bilateral issue during 1986. [ ]

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We are cautiously optimistic that Guatemala will make progress in consolidating its democratic institutions in 1986. However, the system will remain fragile and vulnerable to internal and external developments beyond its control, such as a new world recession or an inability to attract necessary foreign assistance. Thus, while we expect no significant adverse developments in Guatemala during the coming year, we are not equally confident about the long-term prospects for the democratic system. [ ]

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